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GOVERNMENT CONTROL OF THE TELEGRAPH.

THE telegraph wires extend over the length and breadth of our country; wherever the traveler journeys, or commerce is carried on, there the telegraph office is found. Though the correspondence by telegraph is increasing more rapidly than that by mail, yet it is under no governmental control except by State legislation. Unfortunately, the laws of the several States are sometimes conflicting with one another; and no State has the power to legislate for a business which extends into every State and Territory, and to every quarter of the habitable world. In this article I shall show the growth and importance of this business, the evils of the present telegraph system, their cause, and the remedy.

The Western Union Company practically monopolizes the telegraph business of the country. The growth of the telegraph is shown by the statistics of the business of this company from its re-organization, in 1866, to the present time. The telegrams have increased from 5,000,000 to 40,000,000, the capital from \$20,000,000 to \$80,000,000, the gross earnings from \$6,000,000 to \$19,000,000, the wires from 75,000 miles to 432,000 miles. The telegrams have doubled every six years, and now equal in number the letters transmitted by the Post-office in 1843, when Congress made an appropriation for the construction of the first telegraph line; and the revenue for the year ended July 1, 1883, is larger than that of the Post-office Department in 1870.

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The importance of this business transcends its magnitude; for every political, general, or local item of interest is sent by telegraph, and upon this news every daily paper depends for existence. The prices of every market in our country are daily regulated by its reports. Every important business transaction between parties at a distance, and the most important and vital social communications, are carried on by telegraph.

This business is well and promptly conducted. Though complaints are often made of the service, and sometimes with justice, a pretty extensive use of the telegraphs of England and the European continent during the last four years has convinced me that telegrams are sent more rapidly, and with fewer errors, here than abroad. As a telegraph for business, where dispatch is essential and the price is of little account, the Western Union system is unrivaled; but as a telegraph for the people it is a signal failure. Its advocates say that it costs more to send a telegram between two cities in different countries of Europe than between two places in America no further apart, and that therefore the telegraph is cheaper here than abroad. This is true, so far as interstate telegrams are concerned, for it is the policy of the European governments to make the rates low within their own jurisdictions and high elsewhere; and as high rates greatly restrict the business, comparatively few telegrams are sent between different countries. Even between France and England, where there is constant business and social correspondence by mail, comparatively few telegrams are sent.

A comparison of the telegraph business of America with that of several of the countries of Europe shows that the telegraph is used more freely in England, Holland, Belgium, and Switzerland than with us, and more largely in proportion to letter correspondence in France. The rate in England is twenty-five cents for twenty words; with us, the average rate is thirty-eight cents for ten words. In Holland, Belgium, and Switzerland, the rate is about ten cents per message. On the continent of Europe, more than two-thirds of the telegrams are on social matters, resembling in this respect letter correspondence; in our country, less than twelve per cent. are on social matters, about eight per cent. press, and the remainder, eighty per cent., are business messages. Thus, the great difference between the telegraph systems of Europe and America is, that abroad the telegraph is used principally by the people for social correspondence, here by business men for business purposes.

The limited extent to which the telegraph is used in our country, in comparison with England and several other European countries, is due to want of uniformity in the rates, to high charges, to the discrimination in favor of business telegrams, and to the fact that ours is a business and railroad system, while those abroad are postal systems. The want of uniformity arises partly from competition, the rates having been reduced between competing points and retained between other offices—for instance, the rate from Washington to New York is fifteen cents; to other offices at no greater distance, forty cents—and partly to the fact that the rates are higher in the South than in the West, higher in the West than at the East, and higher between many small places than between many cities and small towns. For instance, the rate from Washington to Lynchburg, 180 miles, is forty cents; Chicago to St. Paul, 400 miles, fifty cents; from New York to Buffalo, 450 miles, thirty cents. The rates are not only high, but the annual reports of the Western Union Telegraph Company for the five years ended July, 1883, show an apparent steady advance in the average rate from forty-one cents in 1878 to forty-six cents in 1883, an increase of over ten per cent. I was so much surprised at this increase that I wrote to Dr. Green, the president of the Company, stating the result of my investigations, and received the following reply, which is printed with his permission:

“EXECUTIVE OFFICE WESTERN UNION TELEGRAPH COMPANY,

“NEW YORK, Sept. 19, 1883.

“MY DEAR MR. HUBBARD:—I hasten to acknowledge your favor of yesterday, and explain to you why the gross revenues and gross expenses are not any longer a proper basis for ascertaining the average cost and average receipts per message, unless you want to include the Atlantic and Cuba cable service, which, at the rate of fifty cents per word, materially increases the average receipts per message, and with the rentals paid therefor, and expenses of operating, largely increases the cost per message, whilst neither adds anything at all to the number of messages, for all messages passing over either pass also over Western Union lines proper.

“I find there is included in our revenue the earnings of the American cables, about \$1,100,000; of the Gold and Stock Telegraph Company, for sale of its news and quotation service, not counted as messages, \$1,417,000; from the I. O. T. Co., for cable messages to Cuba, \$388,000; for rental of lines leased to private parties, bankers, and newspapers, the messages over which are not counted, \$407,000; and for royalties on telephones, dividends on stocks in other companies, etc., about \$700,000; making an aggregate of \$4,012,000 that is not derived from the transmission of messages over Western Union lines in the United States and Canada. This

leaves the revenue from that service about \$15,440,000, and estimating the messages at 44,000,000, yields receipts of about thirty-five cents per message.*

"In like manner, there should be deducted from the total expenses the rentals paid and charged in current expenses: For the American cables, \$700,000; on the outstanding stock in the Gold and Stock and Cuba Cable Companies, \$301,000; and for the cost of operating these three companies, about \$600,000, making an aggregate of \$1,601,000; which being deducted, leaves the expenses of operating the Western Union system, \$10,193,000, and the cost of handling 44,000,000 messages, about twenty-three cents each. This is quite as little cost per message as we have ever before exhibited.

"With the increased volume of business, we have the increased exactions for prompt service, requiring greatly increased facilities and expenditures for handling the bulk of it in a few business hours of the day, with the least possible delay both in the transmission and delivery.

"The figures I have given, as proper to be deducted from the gross receipts and expenditures of the past year, apply also to the greater part of the year previous; whilst during the past three years there have been several hundred thousand dollars per annum added to the expenses in the cost and consequences of vexatious litigations, compelling us for months, both in 1881 and 1883, under restraint of injunctions, to operate separately the properties we had absorbed, at largely increased expense.

"I trust these figures and suggestions may assist you in arriving at fair conclusions for the correct information of the public.

"Respectfully and truly yours,

"NORVIN GREEN, *President.*

"GARDINER G. HUBBARD, Esq., Cambridge, Mass."

In my estimates for 1878 and 1883 I have included all the earnings of the Company, whether derived from the cable business, the Gold and Stock Company, and the Inter-Ocean Cable Company, or from private lines, and divided these earnings by the total number of messages. The only difference, so far as I am aware, between the estimates for 1878 and for 1883, is that the latter include a larger proportion of earnings from the cable business, as in 1878 the Western Union Telegraph Company did not lease either of the Atlantic cables.

The reason assigned for the existence of higher rates here than in England is that there the average distance of transmission is only about fifty miles; here, 150 miles, or three times as far. But the cost of transmission does not increase proportionally with the distance, nor should distance be made the principal element in fixing a tariff of rates. Telegrams are sent from New York to

* The annual report of the Western Union, published since the date of Dr. Green's letter, shows the number of messages to be 41,000,000, the average receipts thirty-eight cents, the average cost of handling per message twenty-five cents.

places within fifty miles of that city at a greater cost to the Company than similar messages sent to Chicago. Cheap telegraph service, like cheap postage, depends for its pecuniary success on low and uniform rates. The same objections were made to cheap postage that are now made to a cheap telegraph; and not until the managers of our telegraph learn that distance is only a minor factor in establishing paying rates, and one that can ultimately be disregarded, can we expect a cheap telegraph.

The very basis, therefore, on which our tariffs are founded is unsound and wrong in principle. It may be asserted as an axiom in the telegraph business that where the rates are high a large reduction will cause an immediate increase in the number, without a corresponding increase in the expense. The statistics of all foreign and home telegraphs prove this fact. It is only necessary to refer to those of the Western Union. From 1867 to 1879, the number of messages increased from 5,879,000 to 25,070,000, or four hundred per cent.; the rates were reduced from \$1.04 to forty cents, or sixty per cent.; the expenses increased from \$3,944,000, to \$6,160,000, or fifty-five per cent.; while the net profits increased from \$2,641,000 to \$4,800,000, or nearly one hundred per cent.

The Company formerly pursued the policy of making an annual reduction in its rates, and of paying for all extensions out of earnings, and for eleven years it made an average yearly reduction in its rates of six per cent. a year. In 1874 it bought over \$7,000,000 of its capital stock, reducing the capital outstanding from \$41,073,400 to \$33,785,675. In 1879 this policy was changed; a stock dividend of \$5,960,608 was made. In 1881 another stock dividend of \$15,526,590 was made, increasing the capital to \$56,555,173, thus requiring \$1,500,000 additional net earnings and a corresponding increase in the rates to pay seven per cent. on this new capital. If the annual ratio of decrease in the tolls had been continued, the average rate at the present time would not exceed thirty cents instead of thirty-eight cents; but the cessation of the reduction of rates and the declaration of large stock dividends went hand in hand, the latter necessitating the former.

The public are not satisfied with our telegraph system, and have tried two methods of obtaining a cheap telegraph. In 1869 resort was had to Congress, and protracted hearings were had before various congressional committees during almost every session until 1877. "The effect of these hostile proceedings against the

Company," Mr. Orton, the president, said, "has been to induce the executive committee to proceed more rapidly with the work of increasing the facilities and reducing the rates than the actual condition of the Company's affairs may seem to justify." In the second place, relief was sought by the construction of competing lines, followed by large reduction of rates between competing points. The public, dissatisfied with the high rates of the Western Union, gladly take a few shares in any new company that offers to reduce the rates, and thus new companies are easily floated. But the oft-quoted remark of Mr. Stephenson, that where consolidation is possible there competition is impossible, was never more truly illustrated than by the telegraph. Again and again competing lines have been constructed, only to be bought by the Western Union. Between 1872 and 1879, the rates between Washington and Boston were reduced by competition four times and raised three times.

It is impossible for competing lines to give permanent relief, as they connect points already provided with telegraphic facilities, so that they merely duplicate the lines, offices, and employes. Three competing companies in Washington have offices in the same square, and as many parallel lines north and west. These three companies afford no greater facilities than one, and as that one can do all the business, these new lines add to the public burden by the amount of capital and the operating expenses of the competing lines.

Of all the consolidations, the recent ones have been the most unfavorable to the public. In 1881, \$8,400,000 of stock of the Western Union was issued in exchange for the capital stock of the Atlantic and Pacific Telegraph Company (\$14,000,000), over one-half of which was then owned by the Western Union Telegraph Company, and \$15,000,000 for the stock and bonds of the American Union Telegraph Company. It is difficult to ascertain what was obtained for these large sums. The controlling interest in the Atlantic and Pacific Telegraph Company was purchased by the Western Union, in 1878, for \$25 per share, or \$1,806,250, and the remaining shares were probably worth no more in 1881, though they were then purchased for \$60 per share.

By examination of the annual reports, we ascertain what new lines have been constructed or purchased each year, and the cost thereof. These reports should, therefore, show what lines the Western Union purchased of these companies in 1881, and

their value. The additions to the equipment in 1880 were 2658 miles of pole line, 21,968 miles of wire, and 543 offices, at a cost of \$1,123,584. In 1881, 24,695 miles of pole, 93,368 miles of wire, and 1660 offices; expenditure for equipment, \$1,041,657. In 1882, 20,720 miles of pole, 47,107 miles of wire, and 1331 offices, at a cost of \$1,037,000. The cost per mile of wire in 1880 was \$51; in 1882 it was much less. In 1881, the year these companies were consolidated, 46,171 more miles of wire was added to the equipment than in 1882; at \$51 per mile, this was worth \$2,354,721. It does not appear that any other additions to the property of the Company were made, nor does the Western Union seem to have obtained any accession to its business, for the increase in the number of messages was no greater than the normal growth of its business. The Company, therefore, seems to have obtained property worth about \$2,500,000 for \$23,400,000, while they have "several hundred thousand dollars per annum added to the expenses in the cost and consequences of vexatious litigations, compelling us to operate separately the property we had absorbed." Consolidation invited further competition, for the Mutual Union was organized, and in 1883 the Western Union leased its lines for 999 years for an annual rental of \$500,000, thus adding another weight to the burden to be borne by the public. Nor did the Western Union then obtain a monopoly, for new competitors have started up, anxious to be consolidated. The effect of the various consolidations and stock dividends is forcibly shown by a tabular statement:

| | |
|---|--------------------|
| The capital of the Company prior to its re-organization in 1866 was | \$10,000,000 |
| At that time it was increased by the issue of new stock for shares in other companies | 20,568,000 |
| It has been subsequently increased by the issue of new stock for shares in other companies | 20,330,000 |
| For stock dividends in 1866 | 10,000,000 |
| For stock dividends in 1879 | 5,960,608 |
| For stock dividends in 1881 | 15,526,590 |
| For stock dividends in 1881, on account Atlantic and Pacific Telegraph shares owned by the Western Union and then divided | 4,320,000 |
| | \$86,805,196 |
| Less stock of the Company purchased in 1874.... | 6,805,196 |
| | <hr/> \$80,000,000 |

The stockholders have received —

| | |
|---|--------------|
| Cash dividends, since 1866 | \$34,000,000 |
| Stock dividends " 1879..... | 25,817,198 |
| And the Company had on hand, June 30, 1883, available assets toward future stock dividends | 15,039,000 |

Total dividends and undivided assets since January 1, 1866.....*\$74,856,000

Since 1867, the public, besides contributing these cash dividends and assets, has paid \$110,000,000, the operating expenses of the Company. The sum of \$20,330,000, expended in the purchase of rival lines, represents a part of the cost to the public of its vain efforts, since 1867, to procure by competition a reduction of rates. These rival lines, when purchased, become a source of expense to the Western Union, as they are generally poorly constructed, and merely duplicate existing lines; still, as they block other competitors from using the routes, they are maintained. The lines, since 1866, have been constructed, and the business developed, at the expense of the public for the benefit of the shareholders of the Western Union Telegraph Company, who have not been called upon for any fresh capital. Railroad companies have made great extensions in the same period, but with scarcely an exception they have been made by fresh capital derived from the issue of stock and bonds.

The excuse for consolidation has been that the expenses were thereby reduced, but the recent consolidations have had the opposite effect. From 1868 to 1880 there had been a regular annual reduction in the average cost to the Company of transmission per message from 63.4 cents to 22.3 cents; total reduction, 41.1 cents per message, and this reduction would probably have been continued to the present time but for these consolidations. Dr. Green, in his annual report, estimates the expense per message at the present time at about twenty-five cents, or more than it was in 1880; while my estimate, made by dividing the expenses by the number of messages, is twenty-nine cents. The stock issued for the purchase of competing lines and for stock dividends, as above shown, was \$46,036,000, the dividends upon which amount to \$2,830,000; and the rental of the lines of the Mutual Union Company amount to \$500,000 more; total,

* These tables are made up from reports of the Western Union Telegraph Company for different years. The figures are believed to be substantially correct.

\$3,330,000 per annum. Dividing this by 41,000,000, the number of last year's messages, we find the tax to the public, on account of the consolidations, to be 8·1 cents for each message.

I do not know of a dividend ever having been paid by a competing company except from capital, and I believe that the annual operating expenses of these companies, including a due allowance for depreciation, have always exceeded the income. It is, therefore, evident that if the Western Union had expended the above sum of \$3,330,000 in reducing rates, it would have crippled the competing companies and compelled them to wind up or sell out to the Western Union at a fair price. Such a course would have prevented, instead of inviting, future competition.

Another great evil of the present system is the unrestricted and almost despotic power of the Western Union Telegraph Company. It transmits press news, amounting to about 100,000,000 words a year, or 3,330,000 messages; or, counting the drop copies and multiple deliveries of the same reports, about 800,000,000 words. For this service the Company receives about the same compensation per message that it receives for the transmission of average messages. The Company has in times past discriminated in its rates to the press; it has raised the rates to newspapers that criticised its action or favored opposing telegraph systems; and what it has done it possesses the power to do again.

One of the bureaus of the Western Union Telegraph Company daily collects the prices of all staples in the principal markets of the world, and transmits them to its customers in all our large cities; the farmers and cotton producers daily receive the market price of wheat and cotton. These reports were formerly collected and transmitted by private parties, but when the Western Union embarked in this business they bought out most of the parties engaged in it. One of them was unwilling to sell; whereupon the Western Union sent his messages in such a way that they were not received until about an hour after the receipt of similar news from the Western Union bureau, and thus the man was ruined. I believe this bureau is fairly and honestly managed, but it has unlimited control over these dispatches, and this power can be used for private ends.

The telegraph in America is peculiarly a business system; eighty per cent. of the messages are on business matters, great facilities are given to these interests, and discriminations and

preferences made in their favor. Exchanges in different cities are connected by through wires, and messages sent directly from one exchange to another, the operator receiving the order to buy or sell, which is executed the same instant at the other exchange, neither message nor answer being reduced to writing. The managers of the telegraph know that their business customers want the quickest and best service, and care more for dispatch than low tariffs. The public cannot pay these high rates for social correspondence, and therefore do not use the telegraph.

In the early days of telegraphy, the railroads were inestimable aids to its rapid growth; the railroads soon appreciated the value of the telegraph in running their trains, and contracts were made by which great privileges were given to the telegraph company. Then competing companies made liberal proposals to the railroads, and as the old contracts matured the railroads insisted on more free wires on their own lines, and more "dead-head" or "half-rate" messages to points off their lines. The Western Union was compelled to accede to these terms, or give up the lines to the competing companies. The conditions demanded by the Pennsylvania Railroad were so stringent that on the expiration of the contract with that company, a few years ago, the Western Union refused to accept them, and a contract was made with the American Union, then controlled by Mr. Gould. On some of the roads, the New York Central for example, the railroad retains the ownership of the telegraph lines, with the exclusive use of certain wires and the right to use others when required by its business. The only telegraph offices in small towns are at railroad stations, operated and maintained by the railroad. This saves some cost to the telegraph company, but at the expense of the public, for these offices are often at considerable distances from the business centers, and messages are frequently interrupted and delayed by railroad dispatches. When the English Government took over the telegraphs, they severed connection with the railroads and established independent lines, generally over the highways.

The Western Union Telegraph Company, not content with the telegraphic system of this continent, leased the Atlantic cables of Mr. Gould, and through their control of the business from America to Europe forced the European cable companies to pool the receipts of the cable business of both worlds. Its

business has thus become co-extensive with the commerce of the country. It is evident, from a mere statement of this fact, that no State legislature can deal with this business, for the laws of a State have no vitality beyond the State limits. This doctrine has been repeatedly affirmed by the Supreme Court of the United States. That tribunal has recently decided that laws of California, regulating the rates on lines of steamers navigating the Pacific Ocean were invalid, even though the vessel only plied between two ports in that State, for the United States have exclusive jurisdiction on the high seas beyond one league from the shore. Fortunately, Congress has full power. The Constitution gives Congress power to establish post-offices and post-roads, and the Supreme Court of the United States has decided that this power embraces the entire postal system of the country.* The first resolution passed by the Continental Congress in relation to the post-office was on May 25, 1775, as follows :

“As the present critical situation of the colonies renders it highly necessary that ways and means should be devised for the speedy and secure conveyance of intelligence from one end of the continent to the other, *Resolved*, That Mr. Franklin and others be a committee to consider the best means of establishing posts for conveying letters and intelligence through this continent.”

The power of Congress to construct post-roads, to own and operate lines of stage-coaches for carrying the mails and passengers, to construct and operate lines of telegraph, has, I believe, rarely been doubted. Under Jefferson and his successors, appropriations were made for the construction of the National or Cumberland road, and surveys made for a post-road south, through South Carolina, Georgia, and the Gulf States to New Orleans. In 1801, the mail was carried between Philadelphia and Baltimore in a line of stage-coaches established and operated by the Postmaster-General. In 1819, Mr. Calhoun, then Secretary of War, recommended Congress “to construct a judicious system of roads and canals for the convenience of commerce and the transportation of the mails.” In 1824, an act was passed making appropriations for surveys and estimates for roads and canals for the transportation of the mail. In 1843, and several years succeeding, Congress made appropriations for the construction and operation of lines of telegraph. In 1866, an act

* 96 United States Reports, 11, *Pensacola Co. vs. Western Union Tel. Co.*

was passed providing for the purchase and operation of any and all telegraph lines of companies accepting the provisions of that act. The precedents are thus continuous from the fathers of our country to the present time.

The President of the Western Union says "the telegraph is not a postal service. It does not transport sealed packages or original communications." It would seem that he does not understand the function of the postal service, which, according to an ordinance passed in 1772, and continued in force by successive acts of Congress for many years, is "the communicating intelligence with regularity and dispatch from one part to another of these United States." A telegraph, according to the dictionary, is a "means of conveying intelligence beyond the limits of distance at which the human voice is audible, the idea of speed being also implied." The business of the post-office and the telegraph is the transmission of intelligence between parties at a distance; the only essential difference is in the means of transmission. In the one case the letter, sealed or open, is bodily transmitted; in the other, the contents are transmitted.

Congress, in 1843, appropriated funds for the construction of the first line of telegraph in this country, between Washington and Baltimore, and for two or three years it was operated by the Post-office Department. The Postmaster-General, in his report for 1845, says that the telegraph "is a means of transmitting intelligence accessible to all at prescribed rates of postage," and he adds, "This is an important duty confided to the Post-office by the Constitution; it is an agent vastly superior to any other ever devised by the genius of man for the diffusion of intelligence. The use of an instrument so powerful for good or evil cannot, with safety to the people, be left in the hands of private individuals, uncontrolled by law."

Our Post-office is maintained by the people solely for their benefit, and is better managed, and with more economy, in our country than in any other. The telegraph is run by a private company primarily for the benefit of its shareholders, and is managed with less economy than the Post-office. There is no country where there is the same demand for the telegraph as with us, on account of the great extent of our territory, and the close and constant social and business intercourse between the various sections. It is not as generally used as it should be, because the rates are so high as to prevent its frequent use

between remote places. There is no reasonable excuse for high rates; for, as we have shown, the Western Union would necessarily have continued the annual reduction in its rates, which would have given us a cheap telegraph, if it had not been for its large stock dividends and injurious contracts with rival and other companies.

I will make a concise recapitulation of the evils of the present system, and then point out a remedy. The evils are: (1) high and irregular rates; (2) the monopoly of the business by a single company; (3) the inflation of its capital by stock dividends; (4) the purchasing and leasing of competing and connecting lines and cables; (5) want of economy in the management; (6) identification with railroad and commercial interests; and (7) unlimited control, unregulated by law, of most important business interests.

Abroad, we find a postal-telegraph system, with low, uniform, and diminishing rates, economical administration, a popular, as opposed to a private, system. The only effectual remedy for the evils of our system is governmental control, by the purchase of the telegraph lines, or by the establishment of a postal telegraph with low rates, or by the enactment of laws regulating the present system. The purchase of the lines of the telegraph companies has been advocated by several Postmasters-General. It involves the appropriation of a large sum of money and the transfer of the power from one monopoly to another. The Western Union alleges that the Government originally undertook to manage the telegraph, and then abandoned it and sold out its lines and allowed the Western Union to take up the business. It therefore claims that the Government cannot now resume, except by purchase under the provisions of the act passed in 1866. This act provides for the appointment of appraisers to value the property of the telegraph company whose lines the United States desire to buy, and gives certain rights to companies accepting its provisions. The Western Union accepted these provisions, and thereby agreed to sell its property at an appraisal. The capital of the Western Union is \$80,000,000, its market price at \$80 per share is \$64,000,000, its net earnings are over seven per cent. per annum upon its capital. The Western Union would have a right to demand that their property should not be appraised at less than its selling value, if the stockholders had expended that or any similar sum upon the plant; but, as has been shown, the

public has, since the passage of the act of 1866, contributed more largely to the purchase of the plant than the stockholders, and are, therefore, equitably entitled to share in the benefits if they become the purchasers. Again, it has been urged that the property should be appraised at its cost. We can estimate its cost by the amount expended by the Western Union during the last sixteen years for its lines. This is less than \$60 per mile, or, for the whole equipment, \$22,500,000. This estimate neither includes real estate nor the contracts of the Western Union with the various railroad companies, nor its interest in cables or telephone and other patents, which are probably worth as much or more than its equipment.

I do not believe that Congress would be willing to appropriate \$80,000,000 for the purchase of the lines of the Western Union Telegraph Company, or even to submit the question to arbitration; nor do I think that the people would be willing to give the monopoly to the Post-office Department. The President of the Western Union says, with truth, that "the telegraph is not generally used by the people." Some plan must be devised by which they can use it; and I believe the solution lies in the establishment of a postal telegraph, which, without competing with the business of the Western Union, shall provide a cheap telegraph. According to the last report of the President of the Western Union, the average rate is thirty-eight cents; and, as I have stated above, the average distance of transmission is less than one hundred and fifty miles. This means that the great majority of messages are sent between points not far apart, and therefore the majority are low-rate messages. Although the benefit of the telegraph to the public increases with the distance, less than twenty per cent. of the messages are transmitted more than three hundred miles. The business must be enormous at low rates, and if low rates can be established between remote places, a business nearly as large between them will be created.

Congress could create a postal system, using the present post-offices and delivery system, either constructing its own lines or contracting with parties to furnish all necessary lines for transmitting telegrams, the contractors receiving the rates fixed by Congress in full compensation for constructing, maintaining, and operating the lines, the post-office furnishing such additional facilities as might be required for the purpose of transmitting, at low rates and with greater economy, business

of a less urgent nature than that now sent over the Western Union lines. The Western Union would continue to perform a large part of the commercial business, on account of greater dispatch, and the business of the railroads. It would be inexpedient to adopt a low and uniform rate at once, as it would increase the business beyond the ability of the Postal Department or of any company to handle it. I believe that a uniform night rate of thirty cents between all offices, and a day rate of twenty-five cents between offices east of the Mississippi, and offices west of that river and east of the Rocky Mountains, a like rate between offices west of the Rocky Mountains, and a rate not exceeding fifty cents between any two offices in different sections, would give the people what they need, and make the postal telegraph self-supporting. There are now at least 50,000,000 messages transmitted yearly by existing companies, requiring not less than 150,000 miles of pole lines. In six years, at the ordinary rate of increase, 100,000,000 messages will be transmitted. If a postal system with low rates should be inaugurated, the number would be increased to 150,000,000 messages, which would give business enough for all the lines and employés of the Western Union and the postal system.

Congress should also enact laws regulating the present service, prohibiting stock dividends, and also prohibiting the increase of capital, except for cash, and to the par value of the stock issued; prohibiting consolidations, either by lease or purchase, unless made with the approval of the Postmaster-General, and then at a valuation made by appraisers nominated by the Supreme Judicial Court of the United States. Congress should also give to the press the right to use the telegraph without discrimination in price. It should limit the business of a telegraph company to the transmission of messages, and provide that any telegraph company connecting with another shall have its messages carried over the lines of the other company at pro rata rates and without undue delay. It should provide for full annual returns of the business of the several companies to the Postmaster-General, and limit the dividends to seven per cent. a year on their capital.

Such provisions would compel the Western Union to reduce its rate about six per cent. per annum, which would give low and nearly uniform rates in a very few years.